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Abstract

As the world market becomes constantly more dynamic and competitive, there will be many surprises surging in the supply markets. Therefore, there is a real need for a greater understanding of industry change and driving factors affecting it. From a purchasing point of view, a supply market analysis is a crucial step in order to develop purchasing into strategically value creating function. Thus, the purpose of the study is to *develop a framework for external supply market analysis*, which can be obtained through studying the purchasing strategy literature and identifying the most relevant supply market models. The qualitative research was conducted by using action research approach and the empirical data was gathered through nine semi-structured interviews with the case company's purchasing managers, interviewing some important stakeholders and obtaining researcher's own observations. Finally the framework was validated in its final form in the case company's two projects.

The empirical evidence pointed out that there was no structured way of doing a supply market analysis in the case company. Neither was there any guidelines, hence there were many different practices and no synergies between the divisions and thus, the need for a guiding framework was great. The developed framework concentrated to utilize five literature models according to the company's needs. The framework focused on four key areas; strategic positioning of the category, general market trend, industry competitiveness and product/service value chain and TCO. The first one defines the category in question, which sets the frames for the analysis and data collection part. After this step it is easier to understand what kind of data industry data is needed in the analysis. As the general market trend was considered very important to understand in each analysis, the PEST and Porter's five force model offered tools for that. The value chain analysis and TCO offered a mindset for cost structure identification within the purchase category. To validate the framework, two case projects within the company and a benchmark study were carried out. The results of the benchmark study were encouraging as they provided a similar kind of results and tools as the generated framework.

Based on the research findings it can be emphasized that gaining real supply market knowledge always requires that raw data is turned first to information, and thereof into knowledge and finally it must be shared and saved. It was also noted that supply market analysis framework must be incorporated in the purchasing category management process in order the company to be able to sustain the market intelligence.

Key words	Supply market analysis, market intelligence, purchasing, procurement strategy
Further information	